
IN THE
Supreme Court of The United States

OCTOBER TERM, A. D. 1943.

Nos. 58, 59.

THE MERCOLD CORPORATION,

Petitioner,

vs.

MINNEAPOLIS HONEYWELL REGULATOR
COMPANY,

Respondent.

**BRIEF FOR RESPONDENT, MINNEAPOLIS
HONEYWELL REGULATOR COMPANY.**

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**BRIEF FOR RESPONDENT, MINNEAPOLIS-
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*To the Honorable the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Minneapolis-Honeywell Regulator Company, respondent,
presents its brief as follows:

Decisions Below.

N. D. Ill., Barnes, J., Memorandum Opinion, R. 1059
(43 F. S. 878); Findings and Conclusions, R. 1065; Final
Decree, R. 1070 (46 F. S. 675); Circuit Court of Appeals,
Seventh Circuit, Opinion, R. 1225 (133 F. 2d, 811).

(Emphasis herein ours unless otherwise stated.)

Jurisdiction.

This is to all effects and purposes a suit by Minneapolis-Honeywell Regulator Company, hereinafter called Honeywell, against The Mercoid Corporation, hereinafter called Mercoid, for contributory infringement of the Freeman patent No. 1,813,732, Furnace Control, under 28 U. S. C. 41 (7); and involves a request by Mercoid for declaratory judgment under 28 U. S. C. 400.

Mercoid pleaded Honeywell's use of the patent to monopolize unpatented controls, as a bar, and as violation of the anti-trust laws, and asked damages under 15 U. S. C. 15 (not under Section 4 as stated by Mercoid brief, top, p. 4).

Certiorari was sought under 28 U. S. C. 347.

Issues.

We treat the issues in the order followed in Mercoid's brief, p. 4, and not in the order in its Petition for Certiorari, p. 4.

We re-state the issues for the reasons given.

I. Alleged Improper Use of Patent, as a Defense.

The first issue is raised by the claim that Honeywell has improperly used its patent to monopolize an unpatented device. Mercoid's statement of the issue, brief, p. 4, does not accurately define the controversy between the parties, because Mercoid omits reference to the fact upon which the decision turned in the Court of Appeals, namely, that

"The only Honeywell control which gets protection as a result of the licenses, is the control usable only for a Freeman type installation which of course embodies the Freeman advance in the art." (Court of Appeals Opinion, R. 1225; p. 1230, line 8.)

We therefore state the first issue as follows:

Honeywell Statement of Issue I.

Has Honeywell improperly used its patent so as to be denied relief when it sells and licenses its competitors to sell "the control usable only for a Freeman type installation which of course embodies the Freeman 'advance in the art,' " and which is less than the complete claim, and carries with it a right to use it for making a complete Freeman system?

II. Alleged Improper Use of Patent as Violation of Anti-Trust Laws.

Mercoid's statement of the second issue is subject to the same criticism, to-wit, that it ignores the fact mentioned, on which the decision turned in the Court of Appeals.

Mercoid's statement is also defective in that it confuses the implied right a purchaser gets when he buys a combination control, with Honeywell's written licenses to competitor manufacturers, which do fix the prices at which the manufacturer-licensees shall sell the controls (called "thermostatic apparatus" in the Freeman claims) made by them and usable only in a Freeman installation.

Mercoid's statement gives the impression that Honeywell attempts to control resale prices of the thermostatic apparatus, usable only in a Freeman installation, after Honeywell or its manufacturer-licensees make the original sale. Honeywell fixes prices at which its manufacturer-licensees may sell, but makes no attempt to fix any prices of the apparatus after it has been initially sold.

We therefore state Issue II as follows:

Honeywell Statement of Issue II.

Does Honeywell violate the anti-trust laws by—

(a) telling a purchaser of a control "usable only for a Freeman type installation" and embodying Freeman's "advance in the art," although less than the complete claim, that he may use the control in completing such installation; and in

(b) granting written licenses to its competitors to manufacture such a control, and

(c) therein fixing the minimum prices at which the competitor-licensee shall initially sell such controls manufactured by it?

III. Contributory Infringement.

Mercoid's statement fails to accurately state the controversy because it omits reference to the following important facts mentioned by the Court of Appeals opinion:

"With each M-80 Mercoid provides certain wiring diagrams for installation. The accused device has no other use than for accomplishing the sequence of operations of the Freeman patent." (R. 1228, bottom.)

We therefore state Issue III as follows:

Honeywell Statement of Issue III.

Is Mercoid a contributory infringer when it makes and sells a control which has no other use than for accomplishing the sequence of operations of the Freeman patent, which control is less than the full claim of the Freeman patent, and with each control Mercoid furnishes wiring diagrams for installation so that the user inevitably makes a complete embodiment of the claim of the Freeman patent?

IV. Validity.

Mercoïd states in effect that the concurrent findings of validity by the Courts below, were wrong, because the patent

"merely comprises an obvious and unpatentable assembly of non-cooperating parts."

OUTLINE OF ARGUMENT.

Issues I and II. In selling, and licensing its competitors to sell, a combination furnace control "usable only for a Freeman type installation", which control is less than the complete claimed invention, Honeywell's conduct does not bar suit for infringement, nor violate the anti-trust laws.

The Freeman patent claims are for combinations including "thermostatic apparatus responsive to furnace temperature" by which there is brought about a safer and more efficient sequence of operations than before.

Honeywell's conduct complained of involves the exploitation of the Freeman patent by selling and licensing such thermostatic apparatus, commonly called here-in a "combination furnace control", which is a single piece of equipment specifically designed and arranged to provide the novel sequence of operations claimed by Freeman. When the combination furnace control is put to its intended and only known use, the Freeman sequence of operation inevitably results.

Honeywell also licenses its competitors to make and sell such combination furnace controls, and in the licenses, fixes the price at which the licensees may sell. Honeywell never fixes the price of the resale of the control. No competitor has been denied a license.

Honeywell has made no attempt to control the sale of other elements going to make up the complete combination.

This conduct of Honeywell is within its rights under the patent law, and is the kind of conduct approved by this Court.

Issue III. Mercoid is a contributory infringer.

Mercoid's conduct consists in manufacturing and selling its combination fan and furnace control, type M-80, which was designed some years after the issue of the Freeman patent, has no use other than in the Freeman system or combination, and is sold by Mercoid with printed wiring diagrams in the form of instructions for installing the M-80 in a furnace to bring about the sequence of operation of the Freeman patent.

This is a tort.

Mercoid's argument that it has not contributorily infringed because the decisions of this Court have done away with contributory infringement is not supported by the opinions of this Court.

This Court found contributory infringement by reason of the sale of an element which was less than the full claim, but embodied the essential features of the patented device, in the *Leeds & Catlin* case, in 1909, and has adhered to that doctrine and decision in 1931, 1938 and 1942.

Issue IV. Validity should not be considered here because it is an ordinary issue of fact, found in favor of the respondent, Honeywell, by concurrent decisions below.

There is no important situation affecting the public.

But, if this Court considers validity, the patent should be sustained on its merits.

The Freeman patent brought about a new sequence of operation in a furnace, whereby more efficient and

safer operation was obtained. The particular elements of the combination therefore did something more than they had previously done outside the Freeman combination.

That Freeman's contribution amounted to invention, is shown by the facts that long prior to Freeman Mercoïd—

Was in the business of making and selling controls;

It had in its employ a long-time designer of such controls, McCabe; and the typical man skilled in the art, Black.

Before Freeman, Mercoïd tried to combine fan and furnace controls in the same furnace but produced an arrangement lacking the efficiency and safety of Freeman.

The validity of the patent should be sustained.

ARGUMENT.

Issue I. Improper Use.

Issue II. Violation of Anti-Trust Laws.

We note that the Honeywell conduct relied on by Mercoïd as a bar to the infringement suit (Mercoïd Brief, pp. 12-17) is substantially the same as that relied on as violating the anti-trust laws (Mercoïd Brief, pp. 28, 29).

We therefore treat Issues I and II together.

Honeywell's position is that its conduct was within its rights under its patent, and therefore proper under both issues.

The Facts.

A brief resumé may help.

Honeywell and Mercoïd are competing manufacturers of

automatic controls used in heating systems. Some of these controls have many uses in many different types of installations. Others are specifically made and especially adapted for only a predetermined and very definite single use. Those involved here are within the latter group.

The Freeman Patent.

The Freeman patent discloses an arrangement where the well-known furnace and fan are operated in accordance with a particular sequence by "thermostatic apparatus responsive to furnace temperature" (Claim 1, R.

1102). That sequence brings about fan operation only after the furnace temperature has attained a predetermined degree; further, that sequence, for safety purposes, both shuts down the burner and maintains continued fan operation when the furnace has reached a high, unsafe temperature:

Thus, if something happens and the furnace gets very hot and the "thermostatic apparatus responsive to furnace temperature" stops the burner, thereby preventing excessive heating of the furnace and a hazardous condition therein, the thermostatic apparatus in stopping the burner does not stop operation of the fan, but continues operation of the fan to remove the excessive heat from the danger zone in the furnace and deliver it to the rooms where it has utility.

This provides a safer and more efficient operation of the furnace located in the basement of your home than was ever heretofore available.

Both Courts below found that Freeman was the first to arrange "thermostatic apparatus responsive to furnace temperature" in such relation to the other old parts of a furnace fan system as to provide that sequence of opera-

tion, whereby combustion is stopped before excessive heat or fire hazard is reached in the furnace and at the same time the fan is continued in operation for delivering the dangerous heat from the furnace to the room (Findings 10-19, R. 1066, and Opinion, R. 1226, third and fourth full pars.).

Mercoïd denies that there is a sequence of operation in the Freeman patent. The fallacy in Mercoïd's denial is illustrated in Mercoïd's statement, brief p. 9, that both switches *may be opened at the same time*. This is not true. The "thermostatic apparatus responsive to furnace temperature" of the claims (called both switches by Mercoïd), never permits the fan circuit to be open at the same time that the burner circuit is open.

The Freeman structure is illustrated in simplified drawing, M-H Ex. 13, R. 1043, and the Freeman sequence of operation is shown by M-H Ex. 2 a-g, R. 989-1001. M-H Ex. 2 shows Mercoïd's recommended installation of its accused thermostatic apparatus called the M-80.

Honeywell's Conduct.

The conduct of Honeywell complained of by Mercoïd has been directed primarily towards the exploitation of "thermostatic apparatus responsive to furnace temperature" which is a single piece of equipment specifically designed and arranged to provide this novel sequence claimed by Freeman. When such unitary "thermostatic apparatus responsive to furnace temperature" is mounted on a furnace and is merely connected by wires to the usual burner and fan thereof, the sequence of operation claimed by Freeman inevitably results.

Incidentally, Honeywell asks only that a similar special single piece of apparatus specifically designed by Mercoïd to inevitably bring about when completed by con-

necting it up, the identical sequence claimed by Freeman, be enjoined as contributory infringement.

Mercoid calls its thermostatic apparatus the M-80 "Combination Fan and Limit Control" (R. 1023).

Honeywell Licenses.

Honeywell granted licenses to its competitors under its Freeman patent to manufacture, use and sell thermostatic apparatus which, when sold by such licensees and completed by a user in the only way that a user could complete the thermostatic apparatus, embodied the Freeman invention. Honeywell granted five such licenses (Mercoid Brief, p. 11). Mercoid, a competitor, was likewise offered a similar license (R. 748, A. 29; R. 757, A. 42). Honeywell has never denied a competing manufacturer a similar license.

The written licenses defined the thermostatic apparatus responsive to furnace temperature specifically, so that the structure manufactured and sold by Honeywell's licensees could and would, when completed by the user, bring about only the sequence of operation called for by the Freeman patent (R. 907). Under this definition Honeywell made it certain that what a licensee made and sold, and, incidentally, paid Honeywell a small royalty upon, although an uncompleted part, so embodied the Freeman invention that when completed, would always insure a Freeman sequence of operation.

The structure made and sold by Honeywell, and made and sold by the Honeywell licensees, and, incidentally, made by Mercoid and here charged to infringe, is a thermostatic apparatus in the form of a unitary structure or a single piece of equipment which was not in being prior to the Freeman invention. The unitary structure or single piece of equipment was designed and adapted by each of

them as a direct result of the Freeman invention, so that when that uncompleted structure was put into use in the only way it could be used, there would be a Freeman sequence of operation.

For convenience we will refer to this "thermostatic apparatus" or unitary structure by the name used in the written licenses and in Mercoide's brief, p. 16, first paragraph, as a "Combination Furnace Control."

These facts justify the conclusion by the Court of Appeals that

"* * * the only Honeywell control which gets protection as a result of the licenses is the control usable only for a Freeman type installation * * *" (R. 1230, line 9).

In view of Mercoide's conceded statement that

"the real use of the patent clearly is to establish a monopoly in * * * the 'combination furnace control' * * *"

it may be unnecessary to call attention to the fact that Honeywell has never made any attempt to control sales of room thermostats or other standard commercial controls having no necessary relation to the Freeman invention.

Of this the Court of Appeals said:

"Honeywell never accused anyone under the Freeman patent on account of the sale of standard controls which might be used with the Freeman installation, or might be used with some other installation" (R. 1230, line 13).

Mercoide argues that the control shown by the patentee in the Freeman patent is a conventional control and that Freeman did not invent specific controls.

The trial Court stated in finding of fact No. 27 (R. 1069):

"The Freeman patent is not a patent on either the fan switch or the limit switch or both of them. It is a patent on a system of furnace control which requires three thermostats for its operation."

The trial Court specifically found that the patent was on

"a system of furnace control."

Honeywell has never contended that the Freeman patent was directed to some specific type of conventional control. Honeywell in fact asserts, and the Court found, that the patent is on a system of furnace control which has been referred to in the record as being a sequence of operations. That sequence, incidentally, is brought about by a thermostatic apparatus also referred to in the licenses as a combination furnace control.

The measure of invention is found in the claims in issue. We quote claim 1 in substantially the same form as it is quoted on page 9 of Mercoid's brief. We have underlined in this claim that portion which Honeywell, its licensees, and Mercoid now make and sell.

"In a furnace control the combination of apparatus for controlling

the rate of combustion and

the rate of supply of a heat-conducting medium,

thermostatic apparatus responsive to furnace temperature, and

connections between said control apparatus and said thermostatic apparatus by means of which said control apparatus operates to check combustion while supplying said medium when furnace temperature exceeds a predetermined degree."

It will be noted that the thermostatic apparatus of the claim together with its "connections" is so defined as to bring about a particular sequence of operation. It is this sequence of operation that is brought about when Honeywell's licensees make a structure in accordance with the definition of their licenses. It is this sequence that Mercoid brings about when it manufactures and sells its structure known as a "Combination Fan and Limit Control Type M-80."

The underlined portion of claim 1 is the unitary structure sold by Honeywell and made and sold by Honeywell's licensees and made and sold by Mercoid, which, when connected with the well-known furnace and fan thereof, completes a full embodiment of the invention of the Freeman patent as defined in claim 1.

Honeywell's Commercial Combination Furnace Control.

There is attached at the end of this brief, a reproduction of M-H Ex. 17, which is a photograph of the demonstration model, M-H physical Exhibit 15.

In the photograph, there is disclosed the conventional thermostat 18 ordinarily used in a room with electrical connections 28 and 29 leading therefrom. There is also exemplified a heating element entitled "Combustion Accelerator." This represents the ordinary burner or stoker of a furnace. There is also illustrated a fan connection 22, which is for the fan by which circulation of the heated air from the furnace to the rooms is obtained.

The large mechanism between the thermostat 18 and the fan connection 22 is the Honeywell Combination Furnace Control which comprises the thermostatic apparatus of Claim 1 of the Freeman patent. It is this thermostatic apparatus when connected by the electric wires colored red, black, yellow and white in the photograph that always

brings about the sequence of operation, which was new with Freeman, and which is the underlined portion of Claim 1 quoted above.

Mercoid's Commercial Combination Fan and Limit Control—the M-80.

There is also attached at the end of this brief, a reproduction of M-H Ex. 20, which is a photograph of the demonstration model, M-H physical Exhibit 18.

In the photograph, there is disclosed the conventional thermostat 18 ordinarily used in a room with electrical connections 28-29 leading therefrom. There is also exemplified a heating element entitled "Combustion Accelerator." This represents the ordinary burner or stoker of a furnace. There is also illustrated a fan connection 22, which is for the fan by which circulation of the heated air from the furnace to the rooms is obtained.

The large mechanism between the thermostat 18 and the fan connection 22 is the Mercoid Combination Fan and Limit Control, the M-80, which comprises the thermostatic apparatus of Claim 1 of the Freeman patent. It is this thermostatic apparatus when connected by the electric wires colored red, black, yellow and white in the photograph that always brings about the sequence of operation, which was new with Freeman, and which is the underlined portion of Claim 1 quoted above.

Summary as to Honeywell's Conduct.

It is therefore submitted that Honeywell in granting its licenses, in endeavoring to protect its own sales, and in endeavoring to enjoin Mercoid as a contributory infringer, is seeking only to protect for itself that lawful patent monopoly defined in claim 1 of the Freeman patent. Honeywell is not accusing Mercoid as a contributory in-

fringer on account of any conventional or standard controls sold by Mercoïd. Honeywell's conduct in bringing suit against Mercoïd is on account of Mercoïd's manufacture of a thermostatic apparatus for bringing about the Freeman sequence of operation, and what Honeywell endeavors to protect by bringing such suit is its own manufacture of thermostatic apparatus of the kind of which the Court of Appeals said:

"The only Honeywell control which gets protection as the result of the licenses is the control usable only for a Freeman type of installation, and of course which embodies the Freeman 'advance in the art.'"

Before presenting our argument on the law relating to the sale and licensing of the "combination furnace control" which is an embodiment of the Freeman invention, we call attention to the fact that since Honeywell's monopolizing of the sale of these combination furnace controls is proper under the patent laws, the various detailed acts by which the alleged monopolizing was brought about, are also proper. Honeywell is within its patent rights in monopolizing the sale of "combination furnace controls"; it did not step outside of those rights by licensing others to sell them, or by giving to the ultimate purchaser an implied right to complete a Freeman installation, or by fixing the initial sales prices at which its licensees could sell the embodiment of the invention.

And, we call attention to the fact that there was never any attempt to fix any resale price.

We now proceed to apply the law to the facts.

The Law.

1. The Patent Law Is a Constitutional and Legislative Embodiment of Public Policy.

Grant v. Raymond, 6 Peters 218, 241, 8 L. Ed. 376, 384 (1832, Opinion by Marshall).

"To promote the progress of useful arts is the interest and policy of every enlightened Government. It entered into the views of the framers of our Constitution and the power 'to promote the science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries' is among those expressly given to Congress. This subject was among the first which followed the organization of our Government.—It was taken up by the first Congress * * * * * it can not be doubted that the settled purpose of the United States has ever been, and continues to be, to confer on the authors of useful inventions an exclusive right in their inventions for the time mentioned in their patent. It is the reward stipulated for the advantages derived by the public for the exertions of the individual, and it is intended as a stimulus to those exertions. The laws which are passed to give effect to this purpose ought, we think, to be construed in the spirit in which they have been made; and to execute the contract fairly on the part of the United States where the full benefit has been actually received; if this can be done without transcending the intention of the Statute or countenancing acts which are fraudulent or may prove mischievous. The public yields nothing which it has not agreed to yield; it receives all which it has contracted to receive. The full benefit of the discovery after its enjoyment by the discoverer for 14 years is preserved * * *."

E. Bement & Sons v. National Harrow Co., 186 U. S. 70, 22 S. Ct. 747 at 754 (1902).

2. For the Enjoyment of the Owner's Rights Under the Patent, the Public Faith Is Pledged.

Grant v. Raymond, 6 Pet. 218, 242, 8 L. Ed. 376 at 384 (1832, Opinion by Marshall).

E. Bement & Sons v. National Harrow Co., 186 U. S. 70, 22 S. Ct. 747 at 755 (1902).

In

Continental v. Eastern, 210 U. S. 405, 28 S. Ct. 748 at 754 (1908).

this Court, speaking of the right to exclude others from the use of the patented invention during the time prescribed in the Statute and quoting from *Grant v. Raymond*, said:

"And for his exclusive enjoyment of it during that time the public faith is forever pledged."

3. **So Long as He Stays Within His Rights Under the Patent Law, the Patentee May Do What He Pleases With His Patent.**

E. Bement & Sons v. National Harrow Co., 186 U. S. 70, 22 S. Ct. 747 at 755.

In

Suppiger v. Morton Salt, 117 Fed. (2d) 968, 970, col. 1, bottom,

the Court of Appeals for the Seventh Circuit said:

"* * * the underlying question in each case is directed to the inquiry as to whether the patentee's activities are within or beyond his domain."

There may be a question as to whether specific acts are within his "domain," but when it is once determined that the activities are within the domain of his patent, his activities are proper.

4. **The Anti-Trust Laws Do Not Forbid Contracts Which Are Legitimate Under the Patent Laws.**

E. Bement & Sons v. National Harrow, 186 U. S. 70, 22 S. Ct. 747 at 756 (1902).

"But that statute" (Sherman Anti-Trust Law) "clearly does not refer to that kind of a restraint of interstate commerce which may arise from reasonable and legal conditions imposed upon the assignee or licensee of a patent by the owner thereof restricting the terms upon which the article may be used, and the price to be demanded therefor. Such a construction of the act, we have no doubt, was never contemplated by its framers."

United States v. United Shoe Machinery Co., 247 U. S. 32, 38 S. Ct. 473 at 482 (First Case).

"Of course, there is restraint in a patent. Its strength is in the restraint, the right to exclude others from the use of the invention, absolutely or on the terms the patentee chooses to impose. This strength is the compensation which the law grants for the exercise of invention. Its exertion within the field covered by the patent law is not an offense against the Anti-Trust Act."

In the above case, the so-called first *Shoe Machinery* case, this Court held that restrictions in a lease of a patented machine, requiring the lessee to purchase supplies from the lessor, were within the patentee's rights and did not violate the anti-trust laws.

The Clayton Law was passed (after the litigation began, but before the date of the decision), forbidding such contracts, and the Government started the second *Shoe Machinery* case.

United Shoe Machinery v. U. S., 258 U. S. 451, 42 S. Ct. 363 (Second Case).

The Government charged that the same kind of "tying" clauses involved in the first *Shoe Machinery* case, violated the Clayton Law. The constitutionality of the Clayton Law was attacked. The Court sustained its constitution-

ality, but in doing so defined its views as to what contracts were within the scope of the patentee's rights and declared, that "tying" clauses were not.

This still left the law as it had been, to-wit, that contracts legitimate under the patent law, were not forbidden by the anti-trust laws.

5. Suit for Tortious Taking of the Invention by the Sale of that Which Is Less than the Patented Combination (Contributory Infringement) Is Within the Rights of the Owner Under the Patent Law. Nor Is Such Suit Barred by the Fact that the Accused Article Is Itself Only Part of the Combination.

The earliest case of this kind which we have been able to locate does not even mention the word "contributory."

Wallace v. Holmes, Federal Case No. 17,100, 29 Fed. Cases, p. 74, 9 Blatchf. 65 (1871).

This case was decided by the Circuit Court for the District of Connecticut. Suit was brought for an infringement of a patent on a lamp. One defense urged was that the patent was for a combination constituting an improved lamp, and that the defendant made and sold only the burner, which was not the complete claimed invention, but was the "distinguishing feature" thereof.

The Court said:

"It is quite obvious, that the distinguishing feature of the invention of Collins is the burner. * * * I incline, however, strongly, to the opinion, that the patentee * * * instead of claiming the burner as new * * * has claimed it in combination with a chimney and must stand by his patent under that construction * * * the defendants have * * * sold extensively the burner, leaving the purchaser to supply the chimney without which such burner is useless. They have done this

for the express purpose of assisting, and making profit by assisting, in a gross infringement of the complainant's patent."

The Court said further:

"* * * The defendants have not, perhaps, made an actual pre-arrangement with any particular person to supply the chimney to be added to the burner; but, every sale they make is a proposal to the purchase to do this, and his purchase is a consent with the defendants that he will do it, or cause it to be done. The defendants are, therefore, active parties to the whole infringement, consenting and acting to that end, manufacturing and selling for that purpose. * * * The complainants must have a decree for an injunction and account, as prayed in the bill of complaint."

This case holds that one who makes and sells an element which embodies the real advance in the art, and which when put to its normal use, brings about infringement of a combination claim, is an infringer.

Leeds & Catlin v. Victor, 213 U. S. 325, 29 S. Ct. 503, 504, 505 (1909).

This case held that one is an infringer if he makes and sells an element of the combination which

"serves to distinguish the invention,—to mark the advance upon the prior art,"

and this Court has never departed from that rule.

Plaintiff owned a patent on the combination of a reproducing stylus and a disc record. The real improvement in the art was in the record. There was nothing new about the stylus. The Court said:

"It is the disc that serves to distinguish the invention,—to mark the advance upon the prior art."

The defendant made and sold the disc records. When they were put into the use for which they were intended, i.e., with a stylus or needle, there was infringement. Speaking of the finding below, the Court said:

“ * * * And the Court concluded that upon these facts, it was clear that petitioner had ‘made and sold a single element of the claim of the Berliner patent with the intent that it should be united to the other element and complete the combination; and this is an infringement.’ ”

This Court by holding defendant a contributory infringer, enabled plaintiff to protect its sale of records, *the essential or distinguishing part of the invention, even though less than the full claim.*

The Court was not deterred from granting relief because the patent owner was trying to protect its profit in an article not covered by the patent. It was the profit on the disc, technically “unpatented” which Victor was trying to protect.

This Court held that use of the patent to prevent sale by the defendant of an *unpatented* article which was essential to the patented combination was proper.

Putting it another way, the fact that the accused article which was the vitalizing element of the patented combination, was separately unpatented, was not a bar to suit for infringement.

There was no oversight in coming to this conclusion. In the fourth paragraph from the last of the opinion, it appears that the contributory infringer specifically presented the proposition that the disc records were “unpatented articles of commerce.” This Court clearly held that if the other facts of the *tort* were found, the defendant could not escape by urging that the accused article was “unpatented” and not the complete invention of the patent.

There never can be contributory infringement except by manufacture or sale of something that is less than the complete claimed invention. Therefore, in every case, when one is charged with contributory infringement, the article so charged is always "unpatented" with respect to the patent in suit. In every case where this Court has sustained contributory infringement, it has in effect said that protection by the patentee can be had against something less than the full claim or that which is "unpatented" with respect to the patent in suit.

6. Recent Decisions by this Court Expressly Approve the Rule Laid Down in the Leeds & Catlin Case.

In

Carbice v. America, 283 U. S. 27, 34; 51 S. Ct. 334 at 336,

this Court said:

"The case at bar is wholly unlike *Leeds & Catlin v. Victor*, 213 U. S. 325, 333; 29 S. Ct. 503; 53 L. Ed. 816, on which plaintiff's rely."

In

Leitch v. Barber, 302 U. S. 458, 463, 58 S. Ct. 288, 291,

this Court, in speaking of the *Carbice* case, said there was nothing in the *Leeds & Catlin* case that limited the rule laid down in the *Carbice* case.

In

U. S. v. Uniris, 316 U. S. 241, 62 S. Ct. 1088,

this Court said:

"We may assume also, as appellees contend, that sale of the blanks by an unlicensed manufacturer to an un-

licensed finisher for their completion would constitute contributory infringement by the seller. *Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S. 325; 332, 333; 29 S. Ct. 503, 505; 53 L. Ed. 816; cf. *Carbice Corp. v. American Patents Corp.*, 283 U. S. 27, 34, 51 S. Ct. 334, 336, 75 L. Ed. 819."

This Court has continuously recognized the *Leeds & Catlin* case and has not overruled it.

7. This Court Has Held that There Is No Violation of the Anti-Trust Laws in Licensing the Sale of that Which Is the Essence of, But Less than the Whole Claimed Invention, and in Fixing the Licensees' Sale Price Thereof.

There is no unsettled question as to whether the conduct of Honeywell here complained of violates the anti-trust laws. This Court passed upon a very similar situation last year in

U. S. v. Univis Lens Co., 316 U. S. 241.

In that case, this Court, although it held that certain conduct of the patent owner violated the anti-trust laws, approved other conduct exactly parallel to that complained of here by Mercoïd. Mercoïd's brief makes no mention of the *Univis* case, which was brought to its attention in our brief opposing certiorari.

In the *Univis* case, the Lens Corporation was the owner of the patents. It licensed

"... the Lens Company to manufacture lens blanks and to sell them to designated licensees of the Corporation upon the Lens Company's payment to the Corporation of an agreed royalty of 50¢ a pair" (p. 243).

The Corporation additionally established and carried on a license system under which licensed wholesalers sold lens

blanks to licensed finishing retailers and licensed prescription retailers. The details of this licensing system are not here important. It was held that this additional part of the licensing system violated the anti-trust laws, but the Court specifically excluded from the injunction granted, the Corporation's license to the Lens Company (p. 254). Since that license did not violate the anti-trust laws, it becomes important to review the facts in relation to it.

It was a license to manufacture that which was not the complete invention of the patent, but was of the essence of the invention of one or more of the patents. The situation therefore was exactly like the case at bar.

This Court said the blank

"* * * is said to conform to the specification and claims of some one of the Corporation's patents" (p. 244),

but we call attention to the fact that the Court also said:

"And we assume for the present purposes, without deciding, that the patent is not fully practiced until the finishing licensee has ground and polished the blank, so that it will serve its purpose as a lens." (p. 248.)

We note also that the lower Court found that these lens blanks did not in themselves embody the complete invention of any of the patents. (*U. S. v. Univis*, 41 F. S. 258 at 262-263).

But, while the lens blank, which was thus licensed was not the complete patented invention, nevertheless this Court said:

"* * * each blank, as appellees insist embodies essential features of the patented device and is without utility until it is ground and polished as the finished lens of the patent." (p. 249.)

The approved license fixed prices for sale of the unfinished blanks by the Lens Company (p. 245).

The Court further said it might assume that the sale of such a blank would constitute contributory infringement (p. 249).

Thus we find that in the *Univis* case, the conduct held not to violate the anti-trust laws included every factor complained of by the Petitioner here. The Corporation licensed the Lens Company and fixed the prices at which the Lens Company sold the product it manufactured under the license. That product was not the complete invention of the patent, but it embodied "essential features" thereof. The complete invention was not practiced until the purchaser used or finished the product. With the purchase, the buyer received the right to complete the invention.

We urge that the decision of this Court in the *Univis* case indicates the proper line of division between conduct, which is within the scope of the patentee's rights on the one hand and conduct which goes beyond and violates the anti-trust laws on the other hand.

There is Nothing in Honeywell's Conduct That Bars Relief.

Honeywell's conduct does not violate the anti-trust laws. That is because its conduct is within its rights under the patent laws. Since its conduct is within its rights under the patent laws, suit for infringement is not barred.

The Addition to the Written Licenses by Letter.

Mercoïd's brief refers to this letter at p. 15.

The record is not very clear about it. It would seem that after the written licenses were made, some question came up as to what might happen if a licensee sold "separate" controls "for carrying out the system of the Freeman patent".

So, Honeywell wrote the letter to say that in such case the patent would not be asserted if the Separate controls were sold at a combined price of 25¢ more than the "combination control".

The quoted letter in Mercoide's brief, p. 15, reads 25%. This was a clerical error made in 1940 in copying letters written to the licensees in 1939 and then reading 25¢. The error was promptly corrected when discovered. (R. 749, A. 33-34; R. 465; 1051; 1053; 1055; 1057.)

This was a mere incident. It had no effect on the business. There is no evidence that Honeywell or any of its licensees sold "separate" controls for carrying out the Freeman system. Mercoide is not being sued for any such sales of "separate" controls. Two separate controls would obviously cost more than the "combination furnace control". The letter was a mere assurance against a hypothetical case that seemed to bother some one.

We believe it *de minimis*, but if it be deemed important, we respectfully suggest that the Court should inform the parties as to their rights were this letter absent.

SUMMARY AND CONCLUSION UNDER ISSUES I AND II.

Honeywell's Conduct Directed Toward the Exploitation of the Essence of the Patent or Advance in the Art, is Proper. It Does Not Bar Suit by Honeywell Nor Violate the Anti-trust Laws.

The activities of Honeywell in the case at bar are of the kind which were approved in the *Leeds & Catlin* and *Univis* cases.

The particular business which plaintiff sought to protect in *Leeds & Catlin* was the sale of records which embodied the "advance in the art"; but were less than the whole combination claimed. The decision gave relief against con-

tributory infringement where both parties were selling these "unpatented articles of commerce".

To be sure, in the *Leeds & Catlin* case, the Court did not particularly mention the conduct of the plaintiff, or its effect on the right to maintain the infringement suit. Yet, it is perfectly clear that the plaintiff's conduct in that case was aimed to keep within the patent monopoly the sale of the disc record which was less than the combination of the patent claim,—an "unpatented" article,—and that this was called to the Court's attention.

And in

Carbice v. American, 283 U. S. 27, 51 S. Ct. 334,

when the Court expressly approved the *Leeds & Catlin* decision, the plaintiff's conduct was the very thing in issue. The two sentences in the opinion in the *Carbice* case next preceding the reference to the *Leeds & Catlin* case, read as follows:

"Relief is denied because the Dry Ice Corporation is attempting without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention. The present attempt is analogous to the use of a patent as an instrument for restraining commerce which was condemned under the Sherman Anti-Trust Law, in *Standard Sanitary Mfg. Co. v. U. S.*, 226 U. S. 20; 33 S. Ct. 9; 57 L. Ed. 107." (283 U. S. 27, 33; 51 S. Ct. 334.)

The Court then proceeded to say that the case there was wholly unlike the *Leeds & Catlin* case.

In the *Univis* case, the plaintiff's conduct which was approved was almost exactly analogous to that of Honeywell here.

Distinction Between Proper and Improper Conduct.

Now, what was the distinction between the plaintiff's approved conduct in the *Leeds & Catlin* and the *Univis* cases and the plaintiff's improper conduct in the *Carbice* case?

In each case the plaintiff sought to use its patent to protect its business in an article that was less than the complete combination of the patent claim.

The difference was this: In the former two cases, the article plaintiff sought to control was one which so marked the advance in the art, that its use certainly brought about the use of the patented invention. In the *Carbice* case, the article was "an unpatented material" "long known to the public", which in no wise served to mark the invention. It could be used without practice of the invention. The Dry Ice of the *Carbice* case can be likened to the needles used with the disc records in the *Leeds & Catlin* case or the eye-glass frames of the *Univis* case or the room thermostat in the case at bar.

The "combination furnace control" referred to in the Honeywell licenses, and the M-80 combination control sold by Mercoid, and sought to be enjoined, are controls which are so constructed and marketed that they measure, mark and embody Freeman's "advance in the art."

They are the heart and essence of Freeman's contribution. They are designed, intended and adapted to be used in the Freeman combination and only in the Freeman combination. They are not used or usable anywhere else. They are used for one purpose and that only, namely, the practice of the Freeman invention in a complete heating system.

Each control marks and measures one use of the invention.

When Honeywell is paid a royalty of 25¢ on the sale of a "combination furnace control", it gets 25¢ for one unlimited use of the Freeman invention, and no more.

If a purchaser buys and uses a combination furnace control upon which a modest royalty has already been paid and which control *has no use other than* in the Freeman system, he is required to pay nothing else for the use of the invention, either directly or indirectly.

The licensees pay only on the "combination furnace control" that embodies the "advance in the art".

They are not required by the terms of the license to sell any additional equipment along with the "combination furnace control" or to pay royalty on any additional equipment. If the licensee does sell to the installer any other equipment, any ordinary commercial controls, any room thermostats, the installer is not required to pay royalty thereon, nor is he required to buy such other equipment from the licensee.

The Court of Appeals found:

"* * * Honeywell never accused anyone under the Freeman patent on account of the sale of standard controls, which might be used with the Freeman installation, or might be used with some other installation." (R. 1230, line 13.)

The installer may use standard room thermostats or other parts or controls, purchased anywhere on the open market. They are the needles of the *Leeds & Catlin* case, the eye-glass frames of the *Uniris* case, and the dry ice of the *Carbice* case.

Licenses have been freely issued and one was offered to Mercoid.

The license was a fair use of the patent and within the rights of Honeywell under the patent and under the decisions in the *Leeds & Catlin* and *Uniris* cases.

The rule laid down in the *Carbice*, etc. cases was not intended to bar all use of the patent to prevent every sale of an article not technically covered by the patent claims.

This follows from the fact that this Court expressly distinguished the "ordinary" case of contributory infringement as illustrated in the *Leeds & Catlin* decision, from the situation in the *Carbice* case.

How then can the rule in the *Carbice* case be defined and distinguished from the rule of the *Leeds & Catlin* case which the Court specifically preserved when it decided the *Carbice* case, and from the rule in the *Univis* case.

We think the distinction in the two rules can be readily made.

What this Court did was to cast aside distinctions of words or phrases and look at the *meat* of the invention.

If the plaintiff's use of the patent was such that its primary effect was to obtain its profit on the *meat* of the invention and thereby carry out the purpose of the patent law, the use was proper, as in the *Leeds & Catlin* case.

If the plaintiff's use of the patent was such that the *primary* effect was to enable it to control sales of articles which were not of the essence of the thing patented, the use was improper.

As the Second Circuit Court of Appeals said in

Philad v. Lechler, 107 F. 2d, 747 at 748 (2d C.C.A.).

"On contributory infringement the distinction at present is between the case where the owner of a patent exploits it in the ordinary manner and the case where he employs it *primarily* as a means of suppressing competition in unpatented materials used in connection with it."

Again the First Circuit Court of Appeals in

B. B. Chemical Co. v. Ellis, 117 F. 2d, 829 at 835,

said in remarkably similar language:

"* * * the plaintiff is denied relief * * * because it exploits its patent *primarily* as a means of suppressing

competition in unpatented materials used in connection with it."

How then determine whether specific conduct is *primarily* directed toward proper use of the patent or improper use thereof?

This Court has given us one measuring stick. Others may exist, but this one is enough for the present.

If the *thing* which the owner licenses or makes or seeks to enjoin is the

"distinguishing feature of the invention"

as the Connecticut Court found it to be in

Wallace v. Holmes, Fed. Case No. 17100,

or

"serves to distinguish the invention,—to mark the advance upon the prior art, * * *

as this Court found it to do in

Leeds & Catlin v. Victor, 213 U. S. 325,

or

"embodies essential features of the patented device and is without utility until it is ground and polished as the finished lens of the patent"

as was stated in

U. S. v. Univis, 316 U. S. 241,

then the conduct of the patent owner is primarily directed to proper protection under the patent, and is not a use of the patent

"primarily as a means of suppressing competition in unpatented materials."

Enjoining the sale of the essential part of the invention, to-wit, the discs in the *Leeds* case and the burners in the

Wallace case, and protecting the sale of the blanks in the *Univis* case, had the primary effect of preserving to the patentees the right to exclude others *from the practice of the invention*. It is this right to exclude others from the practice of the invention for a limited time, for which the *public faith has been pledged*.

This Court looked at the facts and it was not hampered by words. It did not matter that the patent owner was thus enabled to control the sale of an "unpatented article", if that article marked the use of the patented invention. The essence of the situation was that the acts of the plaintiff were directed toward and resulted in a reasonable enjoyment of the patent right.

The substantial and primary effect of the patent owner's conduct was to give to the owner what the United States had assured him was his.

That it could be argued in words that the owner thus tended to get a monopoly in unpatented lamp burners, or records, or blanks, this Court knew. But, it did not let words or names obscure the facts; and, the fact was that those burners and those discs and those blanks in each case, marked the "advance in the art". They inseparably marked the use of the invention. When the owner controlled their sale, he controlled that which his patent was presumed to give him,—and no more.

To protect the integrity of the patent grant, it was necessary to permit the owner to enjoin the sale of that which did not in words read on the complete patent claims, *if it necessarily marked the use of the invention*. It embodied something so close to the claimed invention, that each sale was practically certain to lead to one use of the invention. This Court saw that.

The heart of the matter lay in the fact that the total effect of plaintiff's conduct was to protect its patent right against invasion.

Where the plaintiff's conduct was directed toward the protection of its right to the essence of the invention, such conduct did not bar the right to maintain suit for infringement.

This Court has expressly approved the business of selling the essence of the invention. There is no difference in effect between selling it and licensing others to sell it.

This is exactly what Honeywell has done and it asks this Court to protect it here in the same way it protected the patent owners in the *Leeds & Catlin* case and the *Univis* case.

Authorities Relied on by Mercoide Distinguished.

We review the cases relied on by Mercoide.

We have treated above—

Carbice Corp. v. American Patents, 283 U. S. 27,
51 S. Ct. 334.

Here the plaintiff was endeavoring, by use of its patent, to control a commodity which could be used in the patented package or which could be used in a thousand and one other non-patented packages. Plaintiff was thus endeavoring to secure for itself the business of supplying Dry Ice, which in no way marked the "advance in the art", or necessarily brought about the use of the invention.

The Court said (p. 336):

"Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention."

Leitch Mfg. Co. v. Barber Co., 302 U. S. 458; 58
S. Ct. 288.

Suit for contributory infringement. The patent was on a method for using bituminous emulsion on the surface of concrete roads to retard evaporation during curing. Bituminous emulsion was a standard article of commerce, long previously known. The patent owner sold emulsion. Defendant sold emulsion knowing it would be used on the patented roads. The Court declared that—

“* * * the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for this use in road building”, (p. 289).

and that the rule in the *Carbice* case was applicable. The Court asserted that rule was that

“* * * every use of a patent as a means of obtaining a limited monopoly of unpatented material, is prohibited” (p. 290).

Here again plaintiff was endeavoring to secure its profit out of the sale of a staple article of commerce, which in no way marked the “advance in the art” or necessarily involved the use of the invention.

Morton Salt Company v. The G. S. Suppiger Company, 314 U. S. 488.

The Morton Salt case was the ordinary case of a tying clause requiring lessee of a patented machine to buy ordinary salt from lessor, which practice has long been condemned.

In the *Salt* case the patent owner used its patent, not to control the “advance in the art”, but to control the sale of old and well-known salt tablets.

B. B. Chemical Co. v. Ellis, et al., 314 U. S. 495;
62 S. Ct. 406-408; 52 USPQ 33-35.

B. B. Chemical Co. owned a patent on a method of reinforcing insoles for shoes.

The plaintiff used the patent to bring about the sale of something which had no necessary relation to the practice of the patented method.

It is not easy to see from the reports just what was "the advance in the art" involved. It is quite certain that some of the articles sold and leased by the patent owner, and for which it received its compensation, were *not* "the advance in the art".

One of the "materials" which the plaintiff required the purchaser to buy in connection with the implied license, was the adhesive for securing the webbing to the insoles. Of this adhesive the lower Court said:

"The defendant's latex adhesive is not manufactured by it exclusively for use in the patented process. It is a product manufactured by other concerns and bought and sold in the market." (32 F. S. 690 at 698.)

Certainly then the adhesive sold by the plaintiff was not the "advance in the art".

Also, the machines furnished by the patent owner were not "the advance in the art". It appears from the District Court and the Circuit Court of Appeals reports that they could be used with a "hot" process, which was not the patented process. (32 F. S. 690; 117 F. 2d, 829.)

Thus it was clear that whether or not the pre-coated duck marked the "advance in the art", the *adhesive* and the *machines* did not mark the "advance in the art", and the plaintiff used its patent to get its machines installed and used and to sell its adhesive, and included them in fixing the compensation.

As to them, the plaintiff was using the patent to maintain a limited monopoly in things which were outside the scope of the patent and which did not mark the "advance in the art".

J. C. Ferguson Mfg. Works v. American Lecithin Co., 94 F. 2d, 729 (C.C.A. 1, 1938);

American Lecithin Co. v. Warfield Co., 105 F. 2d, 207 (C.C.A. 7, 1939).

American Lecithin Co. owned a patent on a method of using lecithin in making chocolate candy and on the product. Its business was selling lecithin with an implied license under the patent. The defendant, Ferguson, sold lecithin, knowing it would be used in the patented method. Defendant, Warfield, practiced the method and made the product. Lecithin was an ordinary article of commerce. It had other uses. Its use did not necessarily bring about the practice of the invention.

In the *Lecithin* cases, lecithin was like sugar. Either *could* be used in chocolate candy. Both had other uses. Neither necessarily brought about the practice of the invention. Neither had any necessary connection with the invention.

Philad v. Lechter, 107 F. 2d, 747 (C.C.A. 2).

Suit for contributory infringement of a patent on a process for imparting a permanent wave to hair. Philad, owner of the patent, granted 16 licenses, with the agreement that it would not grant more than 18, to manufacturers of hair waving equipment, with authority to sublicense the process to purchasers of equipment. The licenses fixed the prices at which various pieces of equipment might be sold and royalty was based on these prices.

The opinion does not clearly show what the various items of equipment were, but defendants were charged with selling lamps, curling irons, pads and heaters.

It does not appear that any of them embodied the essence of the invention—the “advance in the art”, nor that there was a single one, the use of which necessarily brought about the practice of the invention.

Barber Asphalt Corp. v. LaFera Grecco, 116 F. 2d, 211 (C.C.A. 3).

The facts varied from those of the *Leitch* case above, but the Court found that the owner's method of doing business was still an attempt to monopolize a staple unpatented material, asphalt emulsion. The use of emulsion in no wise necessarily brought about the practice of the invention.

Sylvania v. Visking, 132 F. 2d, 947 (C.C.A. 4, 1943).

Visking owned a patent on pre-printed cellulose sausage casings and the product in which they were used. Visking sold the unprinted casings, which as such, were unpatented articles of commerce, with a license under the patent. The Court, in a very discriminating opinion, held that plaintiff's conduct barred its suit. The case is easily distinguishable.

As sold, the casings could be used with or without the practice of the invention. There was nothing in their character to necessarily bring about the use of the invention.

Novadel-Agene v. Penn, 119 F. 2d, 764 (C.C.A. 5, 1941).

This opinion merely contains a general statement (p. 766, second col. [7]), but it does not disclose the nature of the goods sold with a license under the patent, nor whether they were ordinary articles of commerce. The Court did not pass on the propriety of plaintiff's conduct. The decision is not enlightening here.

Barber-Colman Co. v. National Tool Co., 136 F. 2d, 339; (C. C. A. 6, 1943).

The Court held that the owner of patents on a process of grinding and a machine for operation in conjunction with

the process could not, in a license, fix the selling price of an old product ground by the particular process and machine.

Ethyl Gasoline Corp. v. U. S. 309 U. S. 436, 456.

On p. 30 of its brief Mercoid quotes from the opinion in the *Ethyl* case. There is not a single word of evidence in the case at bar of any attempt to

“ * * tie to the use of the patented device * * * the use of other devices, processes or materials * * * ”,

as mentioned in the *Ethyl* opinion. Honeywell's sale of the heart of the Freeman invention with a right to use it in a Freeman installation, is not such tying.

Radio Corp. of America v. Lord, et al. 28 F. 2d, 257 (C.C.A. 3, 1928).

This case is readily distinguishable on the facts. The contract involved was for the sale of merchandise on condition that the purchaser should not deal in the goods of a competitor (p. 259, col. 2, first full par.), and the question was whether it violated Sec. 3 of the Clayton Law.

No comparable facts are here involved.

Sola Electric Co. v. Jefferson Electric Co., 317 U. S. 173.

The *Sola* case has no pertinence here. That case held that a licensee may assert the illegality of a price fixing license agreement and may offer any competent evidence to establish its illegality including proof of the invalidity of the patent.

It is clear that this case does not here apply since there is no agreement whatsoever between Honeywell and Mercoid.

III. Contributory Infringement. **Mercoïd Is a Contributory Infringer.**

In this case, all of the elements of contributory infringement as that tort has heretofore been considered, are present.

Mercoïd makes and sells the M-80 (Finding 7, R. 1066). It furnishes instructions in the form of illustrative wiring diagrams showing how the M-80 should be installed in a furnace. Bulletin L-4 (M-H Ex. 1-A, R. 985-6) shows in Illustration 7 and Illustration 8, Mercoïd's recommended mode of installation. Mercoïd's Bulletin M-12 (Mercoïd's Ex. CC, R. 859) shows duplicates of Illustrations 7 and 8. The recommended installation of Illustration No. 7 is also found in Mercoïd's booklet, M-H Ex. 10, (physical), Diagram No. 2403, and in Mercoïd's booklet, M-H Ex. 11 (physical), Diagrams 2407, 2408, 2409 and 2410 (Finding 25, R. 1069).

Illustrations 7 and 8 were sent out by Mercoïd with all M-80's, and the District Court found that when the M-80 is used as thus recommended, Mercoïd is a contributory infringer. (Findings 22 and 24, R. 1069.)

M-H's Ex. 2 a-g (R. 989 ff) and M-H Ex. 3 a-g (R. 1005 ff) show the sequence of operation when the M-80 is used according to Mercoïd's recommended Illustrations 7 and 8.

McCabe, a director of Mercoïd, conceded that the Freeman sequence is brought about by these arrangements (R. 598-608).

Black, Mercoïd's expert, agreed that Claims 1, 4, 6 and 9 read on the installations made according to Mercoïd's recommendations (R. 269-270).

Mercoïd concedes that when the M-80 is installed by the purchaser, the Freeman patent is infringed. (Petitioner's Reply to Respondent's Brief, dated June 1, 1943, p. 4, line 7).

Mercoid in its literature recommends no other use for the M-80. There is no other use.

Here are all of the elements of a tort. Mercoid sells a specifically designed control, which has only one use known to this record,—to-wit, to bring about the use of the Freeman invention. Mercoid first produced this control in 1937 (R: 18, ans. to interrog. 1) (6 years after the issue of the Freeman patent) for the sole purpose of bringing about one use of the Freeman invention when one M-80 was installed. Mercoid is not content with manufacturing the M-80 which has only this one use, but with each M-80 sold, it furnishes specific wiring diagrams informing the buyer how to use its M-80 in the only way that it can be used, to-wit, for bringing about the Freeman invention. Here is a purposeful taking of Honeywell's patent property.

It is contributory infringement unless this Court has done away with the doctrine of contributory infringement.

Mercoid's Accused M-80 Has Only the Freeman Use.

We note—

Mercoid's argument that the Court of Appeals was wrong in the Finding (R. 1228) that the accused M-80 has no other use than for accomplishing the sequence of operations of the Freeman patent. (Mercoid's Br. p. 34.)

The argument may be summarized thus:

Mercoid has sold fan switches and limit switches since prior to 1925. They were used for other than Freeman purposes. Honeywell has asserted their use involves the Freeman patent. Honeywell asserts the M-80 is the equivalent of the switches of the Freeman patent. Therefore the M-80 can be used for other purposes, and the Court of Appeals was wrong.

Mercoid's reasoning is faulty—

first, because it implies, but does not dare say, Honey-

well has asserted that the M-80 is the equivalent of these early fan and limit switches. Honeywell denies that.

These early switches were, we assume, sold by Mercoid, (Mercoid's brief p. 34 refers to R. 141). There Black, Mercoid's expert and engineering department employee, attempted to show how close these early switches were to the switches in the Freeman patent.

Black would not say they had ever been connected by Mercoid to get the Freeman arrangement and result. But he tried to point out various "similarities" and leave the impression that Mercoid had the Freeman invention. He even showed an early Mercoid "wiring diagram", Drawing No. 266, of Sept. 27, 1927. (R. 151, top.)

After twelve pages of direct testimony relating to these "similarities" the District Court took him in hand with respect to differences in sequence of operation and finally counsel for Mercoid admitted that there was a difference in sequence of operation between drawing 266 and Freeman. (R. 155.)

All the Mercoid system lacked was the heart of the Freeman arrangement. It had separate controls that might have been wired to accomplish the Freeman system, but were not.

Mercoid now argues that these switches could be used for other than Freeman purposes. It asserts it has put them into the unitary M-80 and so the M-80 is likewise usable for such other purposes.

What Mercoid neglects to tell the Court is that *now*, after learning from Freeman, Mercoid wires the switches in the M-80, *not* according to Mercoid's old scheme, but according to Freeman. And it does this by "permanent internal wiring" so that the old sequential operation is impossible. Only the one Freeman arrangement is possible. (See Ex. PPP.)

And, when it is "hooked up" the only way it can be hooked up as it comes from Mercoid's factory, it brings about the Freeman installation.

The Court of Appeals was right in its finding that the M-80 has no other than a Freeman patent use.

We call attention to Mercoid's argument, brief, p. 17, bottom. This argument is to the effect that if Honeywell shall be permitted to use its patent to protect its sale of its combination furnace control, all manufacturers will be limited in the sale of their old articles whenever a new system patent issues. This argument is not sound. It is fallacious because no new system patent can prevent the manufacturer from selling for all the purposes known to him before such patent issued. Such manufacturer is de-manufacturer from selling for all the purposes known to prived of nothing he had before. How fallacious is this statement is made clear if it be followed to its ultimate conclusion.

By "system patent" we understand Mercoid to mean patents with combination claims. If such patents are refused protection because they employ old elements, every direct infringer would be free from liability and such patents would have no value whatever, because they could not be enforced against any kind of infringement.

Furthermore, we mention this argument of Mercoid's at this point to show how inapt it is when applied to the facts in the case at bar. So far as its application to Mercoid is concerned, Honeywell has made no attempt to prevent Mercoid from selling the controls it was merchandising prior to Freeman. The only article accused by Honeywell in this case is Mercoid's M-80 which was not exploited by Mercoid until six years after the issue of the Freeman patent.

The Basis of Mercoïd's Denial of Contributory Infringement, Is That the Decisions of This Court Have Done Away With Contributory Infringement.

The claims are combination claims. Mercoïd does not sell the whole combination, but only the M-80, which is a part only of the combination.

Mercoïd argues that the effect of recent decisions of this Court is that there cannot "legally" be contributory infringement under such facts. (Petitioner's Reply to Respondent's Brief, dated July 1, 1943, p. 4, second full par.).

Contributory Infringement Is Still a Tort.

It is Honeywell's position in this case that this Court has specifically preserved the doctrine of contributory infringement in those very cases in which the Court has refused relief to a plaintiff who improperly used his patent. The Circuit Court for the District of Connecticut stated the basis for the doctrine of contributory infringement without mentioning "contributory", in 1871, in

Wallace v. Holmes, Fed. Case 17100, 29 Fed. Cases, p. 74; (1871).

The Collins patent was on a lamp with a burner and a chimney. The defendants sold a specific burner containing all of the improvement of the patent except the chimney. When that burner was used, it was always used with a chimney. When the user put the chimney on the burner and used it, he became an infringer. The Court held that the defendants in making and selling the burners

"are, therefore, active parties to the whole infringement, consenting and acting to that end, manufacturing and selling for that purpose."

And, as we read the cases, this Court, has never changed the rule of law there laid down.

In the classic case of

Leeds & Catlin v. Victor, 213 U. S. 325; 29 S. Ct. 503 (1909),

this Court held that a defendant who made and sold the disc, which was one element of the patented combination with the knowledge and implied intent that it should be used in the patented combination, was an infringer.

We maintain that this Court has not as yet changed its position taken in that case.

In

Carbice v. American, 283 U. S. 27 at 34; 51 S. Ct. 334 (1931),

this Court said:

"The case at bar is wholly unlike *Leeds & Catlin v. Victor*, 213 U. S. 325, 333; 29 S. Ct. 503; 53 L. Ed. 816, on which plaintiffs rely. That was an ordinary case of contributory infringement."

Again in

Leitch v. Barber, 302 U. S. 458, 463; 58 S. Ct. 288, 291 (1938),

this Court in speaking of the *Carbice* case said that nothing in the *Leeds & Catlin* case limited the rule laid down in the *Carbice* case. Clearly this Court was recognizing and distinguishing the rule in the *Leeds & Catlin* case, and was not purporting to overrule it.

In

U. S. v. Univis Lens Co., 316 U. S. 241 at 249; 62 S. Ct. 1088 (1942),

this Court said:

"We may assume also, as appellees contend, that sale of the blanks by an unlicensed manufacturer to an unlicensed finisher for their completion would constitute contributory infringement by the seller."

This clearly shows that the Court has not done away with the doctrine of contributory infringement.

Mercoïd, having taken the advance in the art, of the Freeman patent and built a control for bringing about the Freeman sequence of operation, is an infringer under authority of this Court's decisions in the *Leeds & Catlin* case, *supra*, and the recent *Univis* case, *supra*.

IV. Validity.

Validity is urged by petitioner as an issue before the Court.

This Court has not said whether or not it would consider the issue of validity.

We respectfully submit that under the circumstances of this case, the Court should not entertain that issue.

(a) *Validity Is an Ordinary Issue of Fact.*

Whether or not the patent is valid as for an invention, is a fact determinable upon all the available circumstances.

Whether the patentee took that step which arises to the dignity of invention is a fact to be determined after full consideration of all the facts, including the art as it was, the particular step in advance, and the effect of the patent on the art.

Judge Barnes in the District Court considered prior patents, alleged publications and alleged prior uses (R. 1062 and R. 1067), heard the experts on both sides, and came to the conclusion that Freeman—"discloses invention over the prior art and that it is valid".

The Court of Appeals "approved". (R. 1227, top).

There was a great deal of testimony introduced by both sides relating to the existence of invention and the validity of the patent itself.

The situation here is not at all like that in

Market Street Railway Co. v. Rowley, 155 U. S. 621 at 625,

cited by Petitioner in its Reply to Respondent's Brief. There the issue was whether the Court below erred in refusing to instruct the jury that the patent was void for want of novelty. The defendant had offered a group of prior patents, with no extrinsic evidence. This Court held that under such circumstances the lower Court should have instructed as requested. We have no such situation in the case at bar. In the present case, both parties put on experts, and much other oral evidence and, Judge Barnes, after hearing all of the witnesses, found as a fact, that the patent was a meritorious contribution and disclosed invention.

As far as validity is concerned, we have here an ordinary patent case. There is no novel question of law.

This Court has long followed the practice of refusing to grant certiorari to review such cases.

Mercoid agrees with the findings of the trial Court that no single prior patent or publication or proved installation shows the Freeman arrangement.

So Mercoid argues that the issue of validity is one of law. (Mercoid brief, p. 41, middle.) We respectfully urge that under the decisions of this Court, validity is a question of fact. See

Continental v. Eastern, 210 U. S. 405, 416 (1908),
The United States v. Robert Esnault-Pellerie, 299
 U. S. 201; 57 S. Ct. 159-205.

"Validity and infringement are ultimate facts upon which depends the question of liability."

Because validity is a question of fact decided by the District Court after hearing all the witnesses and the evidence, and affirmed by the Court of Appeals as a finding that

"could not have well been otherwise under the evidence presented" (R. 1227),

we submit that there is no question of law for consideration by this Court.

(b) *Concurrent Decisions Below Sustained Validity.*

Furthermore, we have a situation where the Courts below concurrently agree on the fact of invention. This Court will not ordinarily disturb concurrent findings of the Courts below; where there is evidence to support them.

Williams Mfg. Co. v. United Shoe Machinery Corp., 316 U. S. 364 at 367.

Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U. S. 405, 416; 28 S. Ct. 748, 750 (1908).

"The lower Courts therefore found that the invention was a broad one, and that the machine used by the Continental Company was an infringement and these are questions of fact upon which, both of the Courts concurring in their findings, will not be disturbed, unless clearly wrong."

There is ample evidence to support the Findings below. There is nothing peculiar in this case to take it out of the general rule.

(c) *There Is No Important Situation Affecting the Public.*

There is no evidence that the situation here is one peculiarly requiring the Court to interfere to protect the public. Mercoïd acknowledges that Honeywell granted licenses to its competitors. (Mercoïd's brief, p. 11.) It is acknowledged also that Honeywell offered a license to Mercoïd.

Royalty in the written licenses is 25¢ (R. 908). The highest price fixed on the combination control (R. 913) is a minor factor in the cost of installing a furnace with a Freeman control system. Mercoïd's prices for the M-80 have been very close to the prices charged by Honeywell for the combination furnace control (Mercoïd prices, R. 767, 775, 783; Honeywell prices, R. 913). Thus Honeywell's unlicensed competitor was selling at practically the same prices as was Honeywell. No burden was put upon the furnace installer or user. The ultimate consumer had a wide choice of sources of supply.

There is no important public question.

(d) *On the Merits, the Patent Should Be Sustained.*

As already shown, Mercoïd agrees with the finding that nowhere in the prior art is there shown the particular arrangement and sequence of the Freeman patent.

Both Courts below found the contribution of Freeman to be meritorious and invention, and held the patent valid.

Mercoïd concedes Freeman arrangement was new to the art. (Mercoïd Brief, p. 41, middle), *but Mercoïd says old arrangements could be modified to make Freeman—and without invention, because the parts perform their old functions.*

The heart of Mercoïd's attack may be stated thus. Mercoïd says that it was old to use a limit switch in a circuit

in one furnace as illustrated by Mercoid's Ex. U, Bulletin D of 1924, (R. 797), (Mercoid brief, p. 42, par 2), and, that it was old to use a fan and a fan switch in *another circuit* in another furnace, as illustrated by Mercoid's Bulletin A-5, June 1930, Mercoid Ex. AA (R. 841; Illustration 4) (Brief, p. 43, first par.). Mercoid makes no pretense of saying they were ever combined in one furnace as Freeman combined them so as to get the Freeman result and the Freeman sequence of operation. Mercoid says it was no invention to take the old fan switch and the old limit switch, arranged in different furnaces in wholly disconnected circuits, put them into one furnace system, so connected and associated as to get the new sequence of Freeman, and the reason it was no invention was that the fan control and the limit control "each continued to perform the function which it previously performed in other connections."

We reply:

First: that when Freeman put the elements together, the combination produced a new and valuable result in furnace operation.

Second: that when Mercoid tried, it failed to get Freeman, although it had every facility.

When a user employed the limit switch of Mercoid Ex. U, Bulletin D, he did not get the Freeman sequence, because he had no fan.

When he used the fan switch arrangement of Mercoid Ex. AA, Bulletin A-5, he did not get the Freeman sequence because he did not have any limit (safety switch). But, when they were used together, as taught for the first time by Freeman, with such settings and wirings as to get the Freeman sequence, the user had a better and safer furnace than before.

It has been held in many cases that there may be invention in combining old elements to get a new and improved result.

Ottumwa Box Car Loader Co. v. Christy, 215 F. 362, 369, (C. C. A. 8, 1914).

Since the new result exists, the defense that there is no invention, because the parts perform their old functions, falls.

When Mercoid Tried, It Did Not Get Freeman.

Mercoid constantly departs from its assertion that it asks no retrial of the facts (Brief p. 41) and attacks validity by urging lack of invention (Mercoid brief, p. 47). That is the reason it argues the Portner drawing.

So, let us consider what Mercoid did when it was faced with the problem of putting together the circuits which it now contends can be put together without invention to make Freeman.

The Mercoid Corporation, although in the business of furnishing fan controls and limit controls, and although having at its beck and call McCabe, who has for many years been an expert designing controls for use in heating systems. (R. 623) and also Black, acknowledged by Mercoid's counsel to be the typical man skilled in the art as early as 1927 (R. 156), never conceived the idea of putting the old controls into a furnace system so as to get the sequence of operation and advantages of the Freeman system. Mercoid says it was making limit switches and fan controls as far back as 1924, (R. 595). But, when Mercoid was requested during the trial to show its own suggestions to the world as to how a furnace control system should be installed, the best it could dig up was the 1927 drawing (R. 150-151).

Mercoid Ex. XX showed an arrangement differing from Freeman and lacking the Freeman sequence of operations, and in which, when the limit switch shut down the furnace, it shut down everything and left the dangerous condition in the furnace. That was the best Mercoid could do in its years of experience with the aid of McCabe, the genius, and Black, the man skilled in the art.

The history of Mercoid's use of fan and limit switches refutes Mercoid's present contentions and shows that it was not obvious to those skilled in the industry, to bring about Freeman sequence.

Portner Sketch.

Mercoid says it was not hard to conceive of the Freeman arrangement. In support of that argument it produced the Portner sketch, (Mercoid brief, p. 49), which it says was sent to Mercoid in 1928. Mercoid does not assert this as a publication. It was a mere private drawing. It does not show prior knowledge of the kind which, under the statute, bars a patent. That knowledge must be of something more than a private drawing.

Block v. Nathan Anklet Support, 9 F. 2d, 311, 312
(C. C. A. 2, 1925)

But, Mercoid's argument is that the Portner drawing shows that one skilled in the art would conceive of the Freeman arrangement.

Now let us see what effect this Portner drawing had on Mercoid and its men skilled in the art. None.

This Portner drawing gathered dust in the limbo of forgotten things. And, Mercoid continued to recommend to the public its former arrangement of limit and fan controls for obtaining a sequence entirely different from that of Freeman. (Ex. Y, 1929), Drawing 748, R. 829 and Ex. AA (June, 1930) R. 841.

Every self-interest pointed in the direction of getting the Freeman advantage. Even after the Portner drawing was thrust in front of Mercoïd, Mercoïd did not do the thing which it now says is obvious. It did nothing. It continued to advertise its old scheme. That shows Freeman was not obvious to those in the industry.

Mercoïd's own history showing that able members of the industry failed to see the Freeman arrangement, even when working with all the separate elements of the Freeman combination, shows that Freeman made an invention and that the patent is valid against the attack made by Mercoïd.

The Record Shows that Mercoïd Was Not Recommending the Freeman Sequence Before the Freeman Patent.

Mercoïd calls attention to certain correspondence (Mercoïd brief, p. 47-48) and says that this correspondence shows that Mercoïd was sending "instructions" for the Freeman type of installation prior to the date of the Freeman application.

In the first place, Mercoïd's statement is not supported by the facts. These letters referred to do not disclose instructions for the Freeman system—they disclose instructions which are consistent with the sequence recommended by Mercoïd in its 1927 drawing No. 226, Mercoïd's Ex. XX, hereinbefore referred to.

The letter to Miller (R. 941) clearly shows that the limit control was recommended "in order to protect the fan control". This would mean that Mercoïd was recommending its old arrangement of Ex. XX.

In December 1927 Mercoïd sent a catalog to Socony Burner Corp. Mercoïd did not produce the catalog.

But we know that after these letters, which Mercoïd now says taught the Freeman arrangement, Mercoïd continued in its catalog publications, as distinguished from its private

writings, to show the arrangement of Ex. XX. See drawing of 1929, No. 748, R. 829 and Ex. AA, 1930, R. 841. Mercoïd's present assertions are not borne out by its own history.

Second, on this point we call attention to the fact that the statement in Mercoïd's brief, p. 49 top, confuses the indefinite instructions in the letters with the *positive* instructions sent out with the M-80, in two respects. It implies they are the same, which is not true; and it implies that the Court of Appeals considered both sets of instructions in finding contributory infringement, which is not true. The Court of Appeals was considering only the instructions sent out with the M-80 (R. 1228, bottom).

The record shows that Mercoïd never sent out instructions for the installation of the Freeman sequence prior to the Freeman application.

CONCLUSION.

We respectfully urge that the conduct of Honeywell has not been improper so as to bar suit for infringement, or violate the anti-trust laws, because it involved exploitation of what was essential to the Freeman invention and nothing else, and this conduct is within its patent rights.

Mercoid's conduct is that of a tortfeasor and the doctrine of contributory infringement (constituting tort) still stands.

The patent was sustained by both Courts below; there is no new question, no question of law, no factor seriously affecting the public, here involved, and this Court should not take the case to pass on validity; but, if it does, the patent is valid as involving a meritorious invention, which those skilled in the art failed to create, even though all the ingredients were thrust before them.

The Court of Appeals should be affirmed.

Respectfully submitted,

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,

By BAIR & FREEMAN,

Its Attorneys.

W. P. BAIR,

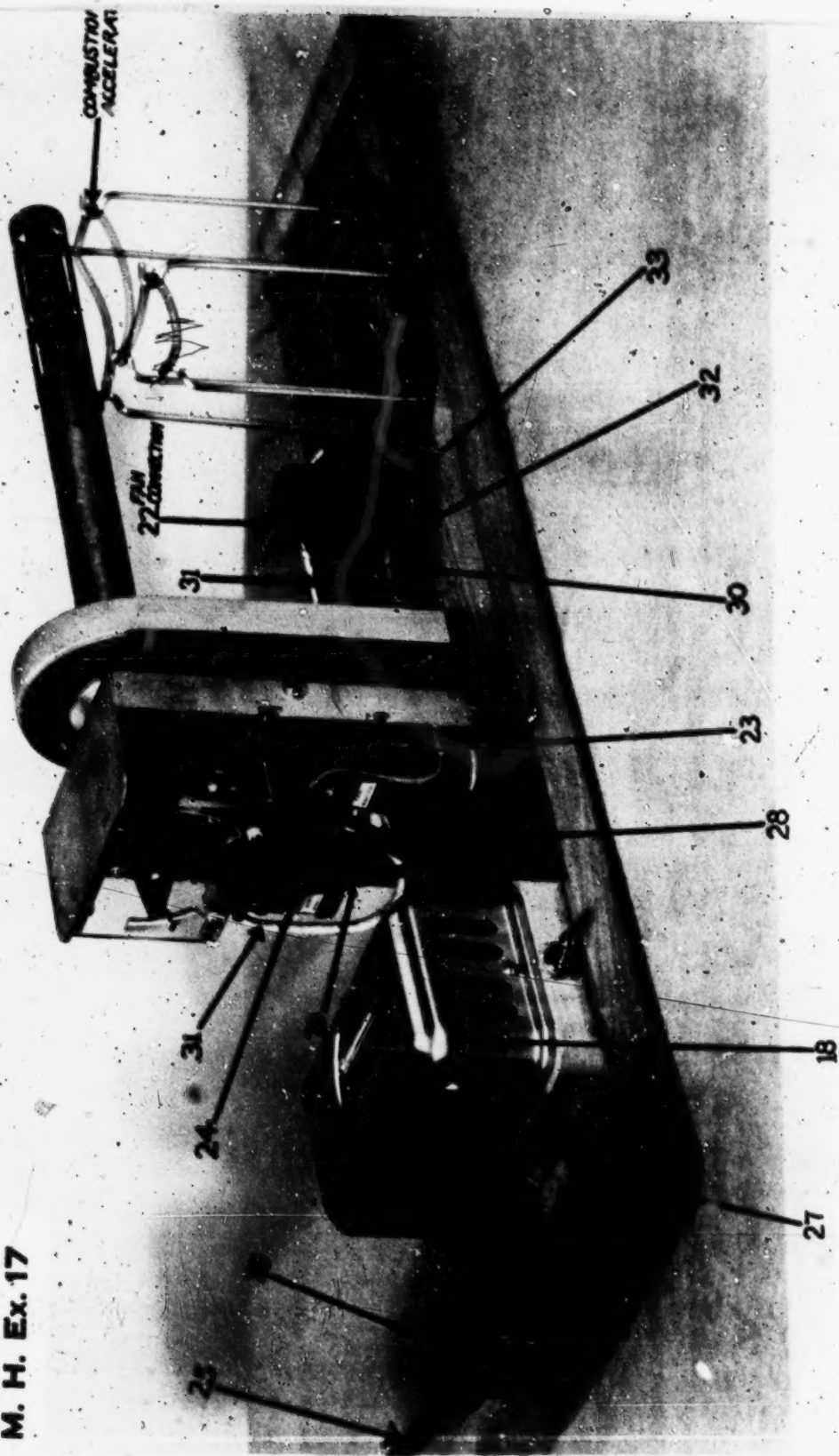
WILL FREEMAN,

GEORGE H. FISHER,

Of Counsel.

(October 14, 1943.)

M. H. Ex. 17



M. H. Ex. 20

